

Message Text

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C O N F I D E N T I A L BANGKOK 3130

E. O. 11652: GDS

TAGS: ETRD, US, TH

SUBJ: SIAM KRAFT PAPER COMPANY LTD. (SKPC)

PASS EXIM BANK

FOR SAUER VICE CHMN FROM CLARK

1. FOLLOWING MY ARRIVAL BANGKOK AND DISCUSSION WITH SKPC, MR. BOONMA MANAGING DIRECTOR SCC, MR. POONPERM CHAIRMAN SCC, SKPC, AND SIAM COMMERCIAL BANK, I FEEL THAT I SHOULD BRING EXIMBANK UP-TO-DATE ON THE SITUATION HERE AS FOLLOWS:

A. THAI SHAREHOLDERS AND CREDITORS ARE MOVING AHEAD TO BRING SKPC UNDER TIGHT CONTROL. A SUBCOMMITTEE OF THE EXECUTIVE COMMITTEE HAS BEEN APPOINTED AND THEY ARE CURRENTLY DRAFTING UP THE DISBURSEMENT GUIDELINE AND THE EXPENDITURE BUDGET.

B. MR. KASOM, MANAGING DIRECTOR SKPC AND MR. STRATTON, GENERAL MANAGER, WILL BE RELIEVED OF EXECUTIVE DUTIES AND WILL BECOME ADVISORS AS OF MARCH 3. SKPC WILL HAVE TO PAY FOR SIX MONTHS NOTICE OF EMPLOYMENT TERMINATION AS PER CONTRACT AND SIX ADDITIONAL MONTHS OF SEVERANCE COMPENSATION AS PER THAI LABOR LAW.

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C. UNLIKELY NEW LENDER FOR THE ADDITIONAL ONE HUNDRED

MILLION BAHT INTERIM FINANCING WILL BE FORTHCOMING. SKPC NOW PLANNING TO ASK SCC TO RELEASE THE FIVE THOUSAND TONS OF PAPER PLEDGED. SALES FROM PAPER RELEASED SHOULD REALIZE APPROXIMATELY BAHT FIFTY MILLION AND WILL ENABLE SKPC TO CONTINUE FOR NEXT FOUR TO SIX MONTHS. THAI CREDITORS URGENTLY REQUIRE REPRESENTATIVES FROM EXIM/OPIC TO WORK OUT DETAILS OF RELEASING PLEDGE AND GIVING SCC PREFERRED POSITION ON THEIR FIFTY MILLION BAHT GUARANTEE OF SKPC LOANS.

D. KRUNG THAI BANK HAS YET TO GIVE APPROVAL TO SIGNING OF MEMORANDUM OF UNDERSTANDING. KRUNG THAI BANK WAS THE LAST MAJOR LENDER TO ADVANCE SKPC BAHT ONE HUNDRED MILLION AS RECENTLY AS NOVEMBER 1974. THIS LOAN WAS SECURED THROUGH ASSIGNMENT OF PROCEEDS FROM SKPC SALES CONTRACT WITH SCC. MR. BOONMA FEELS STRONG MORAL OBLIGATION TO KRUNG THAI BANK. IT APPEARS LIKELY THAT KRUNG THAI BANK MAY ASK TO HAVE PREFERRED POSITION ON AT LEAST A PORTION OF THEIR ONE HUNDRED MILLION BAHT LOAN BEFORE AGREEING TO SIGN MEMORANDUM OF UNDERSTANDING AND TO ALLOW SCC TO PAY SALES PROCEED DIRECTLY TO SKPC.

2. PLEASE BRING UP THE MATTER OF EXIM/OPIC GIVING KRUNG THAI BANK A PREFERRED POSITION ON AT LEAST PART OF THEIR LOAN PROVIDED THAT ALL THE OTHER MAJOR CREDITORS THAT ARE PARTIES TO THE MEMORANDUM OF UNDERSTANDING DO LIKEWISE. JOE GAINER CAN WORK OUT THE DETAILS WHEN HE GETS TO BANGKOK IN MARCH.

3. MY IMPRESSION OF THAI INTEREST HAS BEEN STRENGTHENED BY HEART TO HEART TALK WITH POONPERM AND BOONMA WHO ARE GIVING THEIR UTMOST ATTENTION TO SKPC. RECOMMEND WE AGREE TO ABOVE REQUEST. PLEASE REPLY IMMEDIATELY OR GIVE JOE GAINER NECESSARY APPROVAL DISCRETION UPON ARRIVAL.

4. SCC STILL HAVE NOT HEARD FROM INTERNATIONAL PAPER AND ASK IF WE COULD HELP BY CALLING THEM. COULD YOU ASK LES WOLFE TO GIVE THEM A CAPTX?
KINTNER

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